

King County Benchmarks

2003

Economics

Stressed Economy Still Shows Soundness and Resilience

The eight Benchmark indicators of economic growth that are included in this report are reminders that despite having a diverse and vibrant local economy, King County is not immune to the larger economic currents that affect our world. After six years of unprecedented growth in real wages and income we are now seeing the effects of several years of recession. While some indicators show clear signs of distress, others tell us that we have the basic ingredients for a sound economic future.

- Wages and income continue to move slightly upward in current dollars, but we have lost some ground in real, after-inflation dollars.
- There has been a modest turn-around in the formation of new businesses – a good indicator of the vitality of the economy. While King County lost over 2,000 businesses between 2000 and 2001, it regained over half of those during 2001 – 2002.
- However, unemployment remains higher than it has been for over a decade, and as a consequence the number of individuals living below the federal poverty threshold has risen.
- Over the past 20 years King County has successfully shifted from a single product economy to a diverse economy with an export base in professional and high-tech services.
- King County has one of the most highly-educated workforces in the nation, with 2002 figures showing that 91% of the adult population have high school diplomas, and 42% have bachelor degrees or higher.
- Graduation rates have leveled out somewhat as the poor economy makes staying in school more attractive to high school students than leaving school for a job.

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Same Benchmarks, New Format

The King County Benchmark Program is in its eighth year of publishing an annual report on progress in meeting the Countywide Planning goals. This year it comes to its readers in an experimental format, which will be evaluated in mid-2004. It will consist of five issues, of which this is the second. The Land Use Indicators were published in August, the Affordable Housing will be published in December, with Transportation and Environmental Indicators to follow in February and April of 2004.

Indicator Flags

- ↑ There has been a long-term trend in a positive direction, or most recent data shows a marked improvement
- ↔ There has been little significant movement in this Indicator, or the trend has been mixed
- ↓ There has been a long-term negative trend, or the most recent data shows a significant downturn
- ⊕ There is insufficient reliable data for this Indicator

Outcome: Promote Family-Wage Jobs

Indicator 1: Real Wages Per Worker



Countywide Planning Policy Rationale

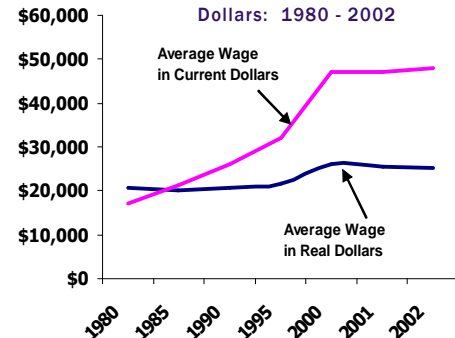
"Economic development is growth and change in the economy whereby the economic health of the region...is enhanced. An important component...is...the maintenance and creation of higher (family) wage jobs." (CPP FW-35) "Jurisdictions' comprehensive plans shall address the historic disparity in income and employment opportunities for minorities, women, and economically disadvantaged individuals" (CPP ED-12)

Key Trends

- King County's average annual wage per worker fell for the third year in a row in real (after inflation) dollars, from about \$26,400 in 1999 to \$25,300 in 2002. However, it remains nearly \$5,000 higher than it was in 1990.

Fig. 1.1.

Average Wage in Current and Real Dollars: 1980 - 2002



(continued on page two)

Metropolitan King County Countywide Planning Policies Benchmark Program

Indicator 1 (continued)

- In current dollars, the average annual wage was \$47,900.
- When computer software workers are excluded, King County's average annual wage is about \$43,400, or about \$22,900 in real dollars.
- The average annual wage outside the software sector actually rose \$3,600 since 2000, or nearly \$1,000 in real dollars.
- These wages reflect the situation of those who were working. They do not reflect the income of the 6.5%* of the workforce who were unemployed during 2002.
- There are still many workers whose jobs do not pay a "family wage". A needs-based budget for King County indicates that a family of three, with one working adult, one toddler, and one school-aged child, would have needed to make at least \$41,500 per year, or about \$21 per hour in 2002.
- This amount was three times the minimum hourly wage, and one and a half times the average wage for retail workers.
- There remains a very significant gap between the median earnings of women and men. However, wage disparity between men and women lessened from 1990 - 2000.

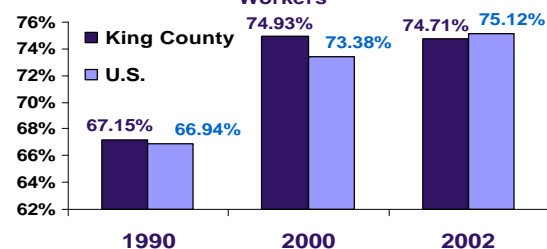
Fig. 1.2

Average Wages Per Covered Worker in King County						
	1980	1985	1990	1995	2000	2002
Average Wages in Real Dollars	\$20,690	\$20,050	\$20,590	\$21,570	\$26,030	\$25,300
Average Wages in Current Dollars	\$17,110	\$21,170	\$26,110	\$32,210	\$47,240	\$47,900
Average Wages in Current Dollars without Software Sector					\$39,800	\$43,400

- In 1990, the median earnings of year-round full-time female workers was just 67% of what their male counterparts earned.
- In 2000, females throughout the U.S. earned 73% of what males earned, while in King County they earned about 75% of what males earned. In 2002, King County has seen no significant change since 2000, while the U.S. median earnings of women have risen to 75% of men's earnings.

Fig. 1.3

Earnings of Full-Time Year-Round Female Workers as a Percent of Earnings of Male Workers



*This is the official Washington State Employment Security Department average unemployment rate for 2002. A Census Bureau Survey (ACS) for 2002 found that 8.7 percent of the King County labor force reported themselves as unemployed. This higher rate may include those who are no longer collecting unemployment compensation or actively looking for work, and thus are not defined as "unemployed" by the ESD.

Outcome: Increase Income and Reduce Poverty

Indicator 2: Per Capita Personal Income and Median Household Income:

King County Compared to the United States



Countywide Planning Policy Rationale

"Jurisdictions should cooperatively create an environment which sustains the economic vitality of the region.... An important component...is ...the maintenance and creation of higher (family) wage jobs." (CPP IX, Intro., FW-35) "Jurisdictions' comprehensive plans shall address the historic disparity in income and employment opportunities for minorities, women, and economically disadvantaged individuals." (CPP ED-12)

Key Trends

Per Capita Personal Income

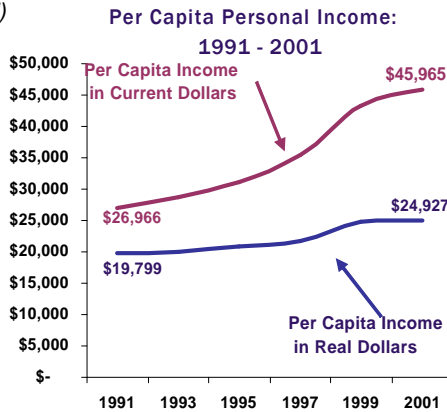
- Per capita personal income in King County declined slightly in real terms from 2000 to 2001, the first such decline since 1993. This measure includes income from securities, rents, and transfer payments as well as wages.

- Falling values of securities during 2000-2001 undoubtedly accounts for much of this decline.
- King County residents now have a per capita income that is 151% of the U.S. per capita personal income, compared to 132% in 1990. Despite the slight drop in this percent from 2000 to 2001, King County has made steady gains over the national income rate for the past two decades. (see also Fig. 2.5).

Per Capita Personal Income in King County as a Percent of U.S. Per Capita Personal Income						
Year	1980	1985	1990	1995	2000	2001
Percent of US Per Capita Personal Income	130%	129%	132%	133%	155%	151%
King Cty. Per Capita Personal Income in Real Dollars	\$15,638	\$17,275	\$20,286	\$20,874	\$25,089	\$24,927
King Cty. Per Capita Personal Income in Current Dollars	\$12,933	\$18,242	\$25,723	\$31,165	\$45,536	\$45,965

Indicator 2 (continued)

Fig. 2.2



Median Household Income

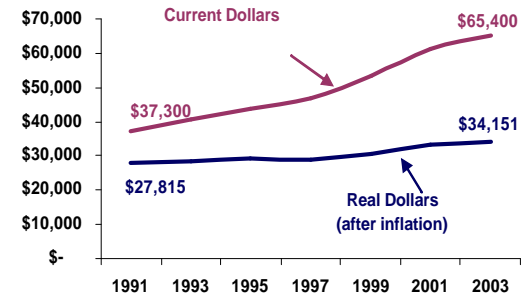
- Median Household Income fell about 1.6% in real terms from 2002 - 2003, after steady and significant growth throughout the previous decade.
- Unemployment, slower growth in wages, and declines in other income sources have all contributed to this leveling off of median household income in King County.
- However, as with per capita personal income, this small decline follows upon a decade of unusually rapid growth in median household income in both current and real dollars.

Fig. 2.3

Median Household Income as a Percent of the U.S. Median							
Year	1970	1980	1990	2000	2001	2002	2003
Percent of US median household income	117%	117%	121%	133%	145%	152%	na
Median Household Income in Real Dollars	\$26,237	\$25,142	\$28,549	\$30,799	\$33,297	\$34,732	\$34,151
Median Household Income in Current Dollars	\$10,200	\$20,700	\$36,200	\$55,900	\$61,400	\$65,400	\$65,400

Fig. 2.4

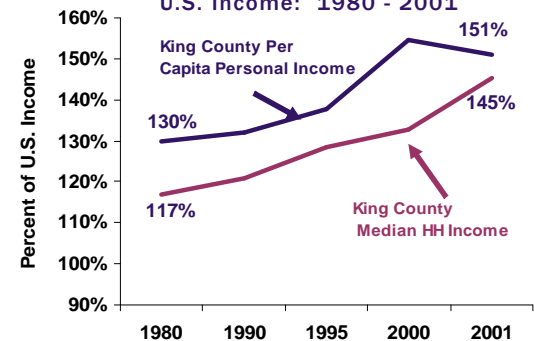
Median Household Income: King County 1991 - 2003



- Median household income has grown even more dramatically than per capita personal income when compared to the U.S. average. In 1990, households in King County earned 121% of the national median income; in 2000, 133%; in 2001, 145%; and in 2002 they earned 152% of the U.S. median.

Fig. 2.5

King County Income as Percent of U.S. Income: 1980 - 2001



Note: The KC Median HH Income rose to 152% of U.S. Income in 2002. It is not shown on this graph because there is no comparable data for per capita personal income in 2002.

Outcome: Increase Income and Reduce Poverty

Indicator 3: Percentage of population below the poverty level.



Countywide Planning Policy Rationale

"An important component of achieving economic development is through...the empowerment of economically disadvantaged citizens and neighborhoods...." (CPP FW-35) "Jurisdictions shall develop strategies and support community-based actions to involve minorities, women and economically disadvantaged individuals in improving their economic future" (CPP ED-12)

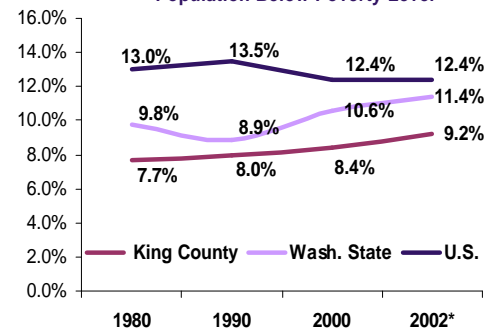
Key Trends

- The poverty rate in King County has risen to 9.2% in 2002. The percent of persons in this County who live in poverty has risen slowly over the last three decades.
- King County's poverty rate remains significantly lower than the national rate. However, the national rate has declined by a full percentage point since 1990, while the King County rate has risen over 2 percentage points.

- In 2002, a family of four was in poverty if its annual income was under \$18,300. An individual with an income below \$9,350 was considered to be living in poverty. The poverty threshold is established at the federal level, and does not account for local variation in the cost of living.

Fig. 3.1

Population Below Poverty Level



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Indicator 3 (continued)

Fig. 3.2

Percent of Persons Below the Poverty Level			
	King County	Wash. State	U.S.
1980	7.7%	9.8%	13.0%
1990	8.0%	8.9%	13.5%
2000	8.4%	10.6%	12.4%
2002*	9.2%	11.4%	12.4%

*Poverty figures for 2002 are estimates based on the American Community Survey, conducted by the U.S. Census Bureau. They have a 90% confidence interval of about one percentage point in either direction.

- Because of the relatively high cost of living in King County, families and individuals earning below the federal poverty threshold will have an extraordinarily difficult time meeting their basic needs for shelter and food.
- A family of four below the poverty threshold could only afford \$500 or less per month in rent, while the average rent for a two bedroom, one bath apartment was \$837. An individual at the poverty threshold could only afford about \$260, although the average rent for a studio apartment in King County in 2002 was \$662. Paying market rates for rent often means that there is little or no money left for food, transportation, and child or health care.
- The 2002 American Community Survey, conducted by U.S. the Census Bureau, indicates a self-reported unemployment rate of 8.7% of King County's household population. This is considerably higher than the 6.5% official unemployment rate. High unemployment is probably the main factor in a rising poverty rate in King County during the past two years.

Outcome: Increase Business Formation, Expansion and Retention



Indicator 4: Number of New Businesses Created.

Countywide Planning Policy Rationale

"Local jurisdiction's comprehensive plans shall include policies intended to foster...a business climate which is supportive of business formation, expansion, and retention and recognizes the importance of small businesses in creating new jobs...."(CPP ED-6) "Where appropriate, jurisdictions' plans shall include policies intended to attract and retain industries, firms and jobs, within their locally determined or zoned manufacturing and industrial areas." (CPP ED-8)

This measure captures business vitality, optimism, entrepreneurial activity, business climate and innovation. As the business climate changes, economic vitality is affected, and more new business are created or lost.

Fig. 4.1

Total Number of Businesses in King County: 1980 - 2002

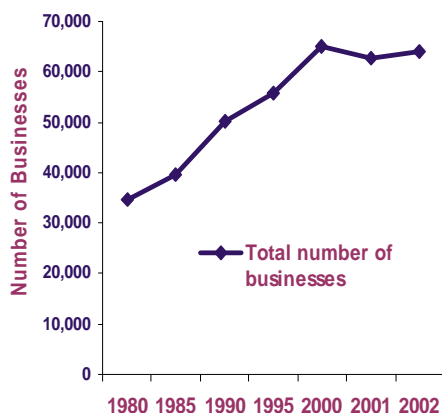


Fig. 4.2

New Businesses Created, King County							
	1980	1985	1990	1995	2000	2001	2002
Total number of businesses	34,624	39,575	50,204	55,638	65,042	62,828	64,092
Number of Net New Businesses in Preceding Five Years	NA	4,951	10,629	5,434	9,404	5,941	5,607
Average Annual Growth Rate for Preceding Five Years	NA	2.7%	4.9%	2.1%	3.2%	2.0%	1.8%

Key Trends

- King County regained over 1,200 businesses from 2001 - 2002. This gain follows on a loss of nearly 2,200 businesses between 2000 and 2001.
- The total number of businesses is now down about 950 from its peak of 65,000 in 2000.
- While the current recession has slowed the development of new businesses, growth is once again moving in a positive direction. The pace of growth over the last five years (1997 - 2002) is just slightly below historic rates at 1.8% per year.

The **King County Countywide Planning Policies Benchmark Program** is a program of the Metropolitan King County Growth Management Planning Council. Reports on the 45 Benchmark Indicators are published annually by the King County Office of Budget. A companion to these reports is the **King County Annual Growth Report**. All reports are available on the Internet at <http://www.metrokc.gov/budget/>. For information about the **Benchmark Program**, please contact Rose Curran, Program Manager (206) 205-0715, or e-mail: rose.curran@metrokc.gov. The Benchmark Program address is King County Office of Budget, Room 406, King County Courthouse, Seattle, WA 98104.

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Outcome: Increase Business Formation, Expansion and Retention

Indicator 5: Number of New Jobs Created, by Employment Sector



Countywide Planning Policy Rationale

"Local jurisdictions and the County shall work cooperatively on a regional basis and invite private sector participation to evaluate the trends...and to analyze the economic needs of key industries. Local jurisdictions...shall include policies intended to foster...a business climate which is supportive of business formation, expansion, and retention and recognizes the importance of small businesses in creating new jobs. Jurisdictions shall cooperate to establish economic diversification and development goals for the multi-County region [and]...identify the contribution they will make." (CPPs ED-6, ED-7)

Key Trends

Short Term

- After a loss of about 19,000 jobs in 2001, King County lost a further 43,600 jobs in 2002, for a total loss of 62,600 since 2000. This amounts to a net reduction of more than 5% from 2000 - 2002.
- The loss of jobs in 2002 occurred in nearly every private sector. The one bright spot was in manufacturing outside of the transportation equipment sub-sector, where job losses in 2001 were softened by a modest gain in 2002.
- Although job losses were heavy by historical standards in 2002, the total number of jobs in King County is still higher than in any year previous to 1999.
- Over 16,000 jobs were lost in the transportation equipment (mainly aerospace) industry, accounting for nearly 40% of the total job loss in 2002.

Long Term

- Since 1990, there has been a net gain of nearly 180,000 jobs in King County. This means that in 2002, after significant job losses during two years of recession, King County still has 20% more jobs than it had in 1990.
- The greatest job gains over the decade have been in the service sector, both in business and computer services, and in other professional and non-professional services. In fact, the net gain of 128,700 jobs in the service sector accounts for 71.5% of the net job increase since 1990.
- Although many jobs in the service sector are low-paying, those in business or professional services are well-paid; the average wage in the service sector in 2002 was \$52,650 - about \$4,750 more than the average wage for all jobs.

Fig. 5.1 Total Jobs in King County: 1998 - 2002

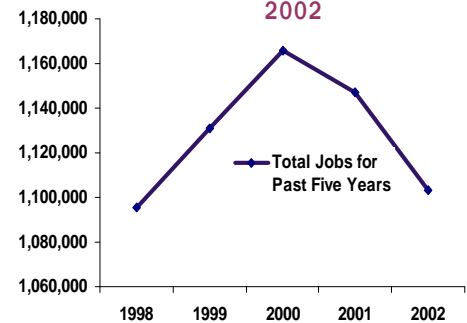


Fig. 5.2

Net Change in Employment by Sector: 1990 - 1996 and 1990 - 2002

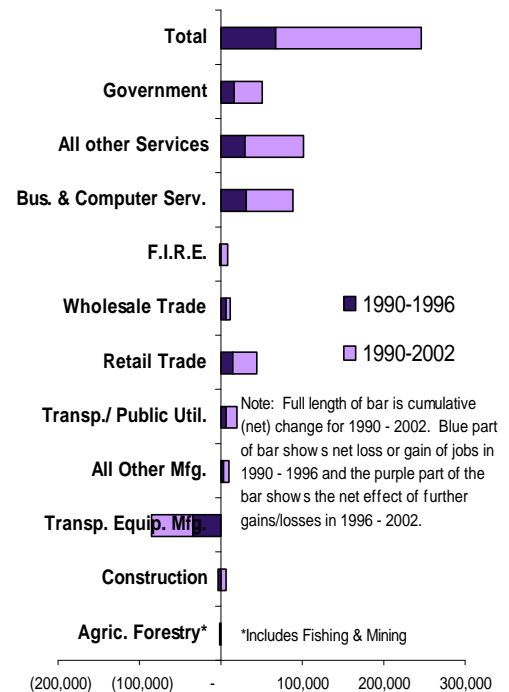


Fig. 5.3

Change in Jobs in F.I.R.E., Business Services, All Other Services and Government: 1980 - 2002

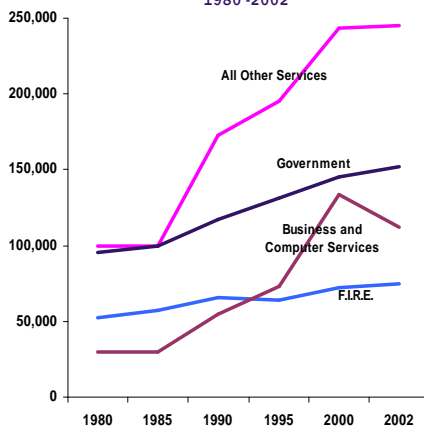


Fig. 5.4

Change in Jobs 1980 - 2002: Manufacturing, Construction, Agriculture, and Forestry

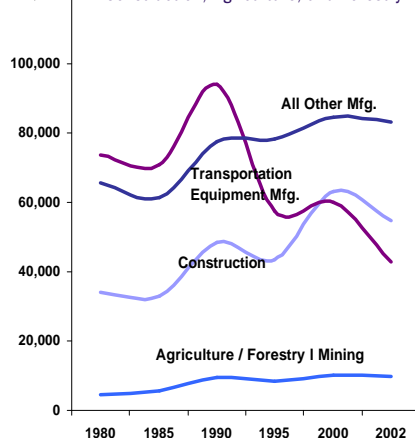
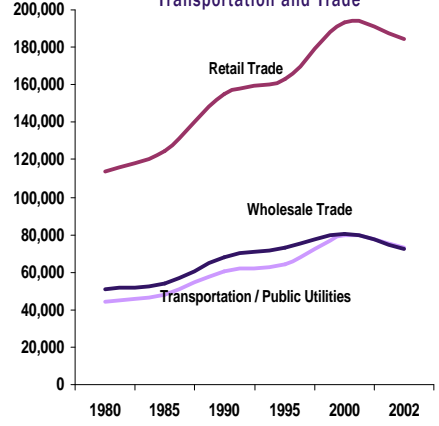


Fig. 5.5

Change in Jobs 1980 - 2002: Transportation and Trade



Employment by Sector in King County: 2002

Fig. 5.6

2002 King County Employment by Sector

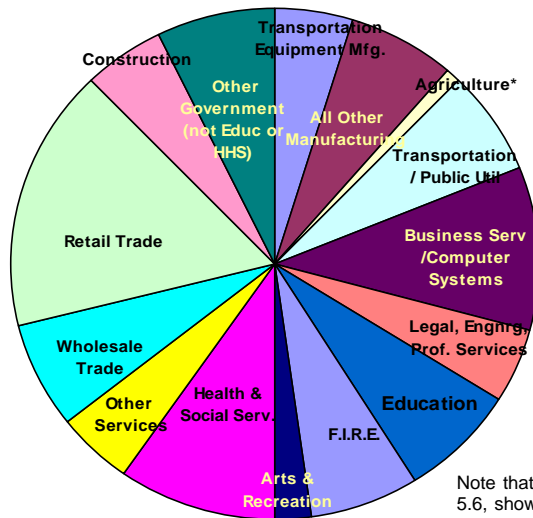
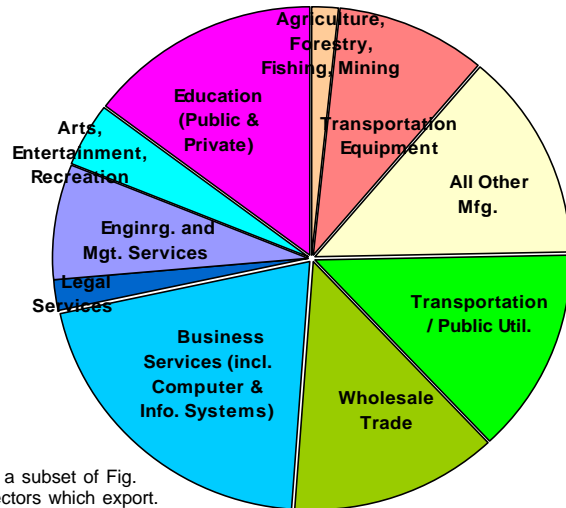


Fig. 6.1

2002 King County Employment in Sectors that Export



Note that Fig. 6.1 is a subset of Fig. 5.6, showing only sectors which export.

Outcome: Increase Jobs that Add to King County's Economic Base

Indicator 6: Employment in Industries that Export from the Region



Countywide Planning Policy Rationale

"Local jurisdictions' plans shall include policies that actively support the retention and expansion of the economic base....Local jurisdictions' comprehensive plans shall include policies intended to foster the development and retention of those businesses and industries that export their goods and services outside the region. These businesses and industries are critical to the economic strength and diversification of the economy." (CPP ED-6)

Export or basic sectors are those which contribute to the economic base by exporting to the rest of the state, nation and the world. Services as well as goods may be "exported", i.e. they serve a significant portion of clients who reside outside the County. The figures shown reflect all employment in sectors that export; however, not all employment in these sectors is directly related to exports.

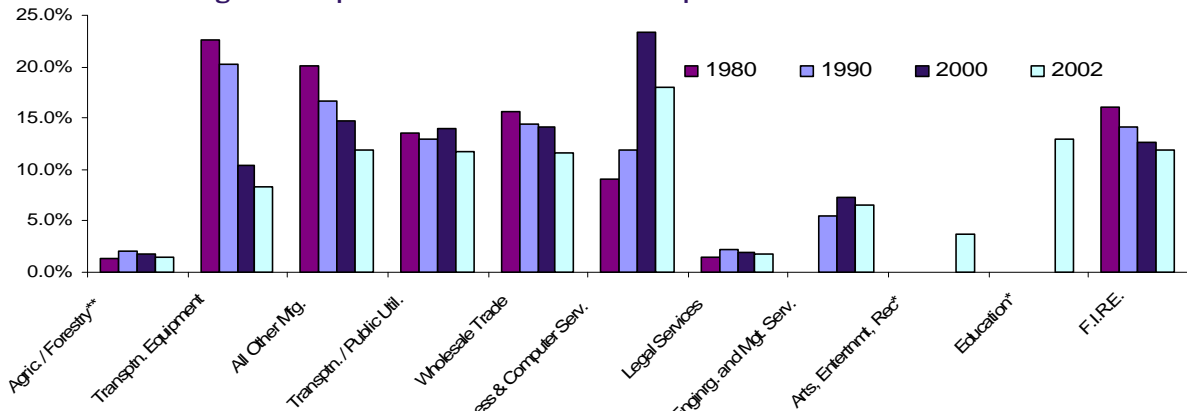
Key Trends

- 54% of King County's employment is in sectors that are considered "basic" or export sectors. These sectors bring outside dollars into our local economy.
- This percentage, about 5% higher than in the recent past, is based on location quotients (see *Data Sources* on p. 8) derived from the new North American Industrial Classification System (NAICS), which is replacing the Standard Industrial Classification (SIC) system. This change allows for better identification of some export sectors (education and arts / recreation), although other sectors, such as health / social services no longer qualify as exports.
- A significant re-alignment of King County's economy has taken place over the last two decades. The shift has been from an emphasis in manufacturing and wholesale trade to professional and business services, including the computer software and systems industry.
- In 1980, transportation equipment manufacturing (mainly aerospace) accounted for 11% of all jobs in the County. Other manufacturing accounted for a further 10% of jobs, for a total of 21%.

- In 2002, only 4.5% of the County's jobs were in transportation equipment manufacturing, and about 6.4% were in other types of manufacturing, for a total of 11%. In other words, as a proportion of the whole economy, manufacturing accounts for about half of what it did in 1980.
- Certain service sectors are considered "basic" because they serve many clients from outside the County. For instance, higher education institutions in King County serve many students from other parts of the state, country and world. Legal and professional consulting services often serve clients from outside the County as well.
- Business and computer systems and services now account for nearly 10% of all employment, as opposed to 4.5% in 1980 and 6% in 1990.
- King County is a net exporter of professional services (engineering and management, legal, financial, insurance and real estate, and educational services). Combined with the business / computer sector, these types of professional services account for 28% of the whole economy, and 55% of all jobs in the export sector.
- A newly-identified export sector is that of the arts, entertainment and recreation. Concerts, museums, sports, events, and tourist attractions serve many non-resident clients as well as King County residents, bringing dollars and jobs into our economy.

Fig. 6.2

Change in Proportion of Jobs in Each Export Sector: 1980 to 2002



*Education (both public and private), and Arts/Entertainment were not tracked as export sectors until this year. Engineering and Mgt. Services were not tracked until 1990. **Agriculture includes forestry, fishing, and mining.

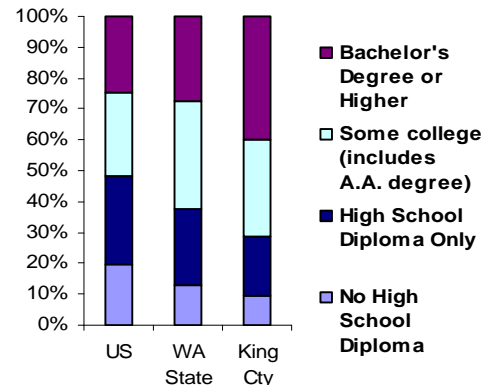
Outcome: Increase Educational Skill Levels

Indicator 7: Educational Background of Adult Population

Countywide Planning Policy Rationale

"An important component of achieving economic development is through...improved job training and educational opportunities..." (CPP FW-35) "Job training, retraining, and educational opportunities are critical to develop and maintain a highly skilled workforce" (CPP, ED-13)

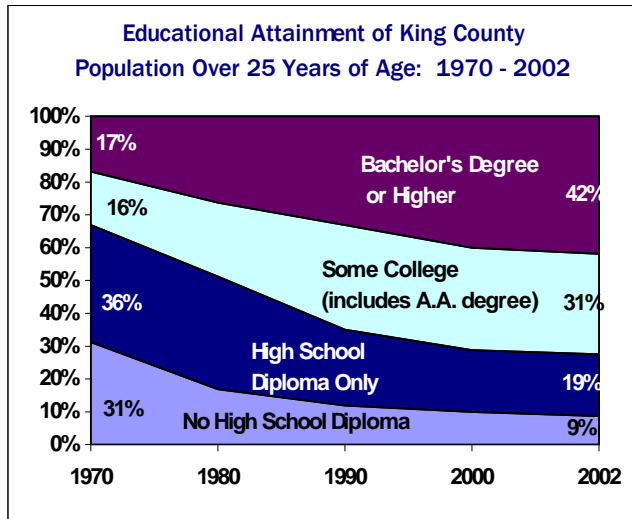
Fig. 7.2



Key Trends

- King County is a highly-educated community in which 42% of the residents have a Bachelor's degree or higher, and 91% have graduated from high school.
- King County compares favorably to the nation as a whole, in which just 26% have a bachelor's degree or higher, and 83% have graduated from high school.
- King County's Dept. of Community and Human Services provides a variety of work training and youth stay-in-school program, including Youth Source, Community College Learning Centers, Opportunity Skyway, New Start, and YouthBuild.

Fig. 7.1



King County Growth Management Planning Council Members

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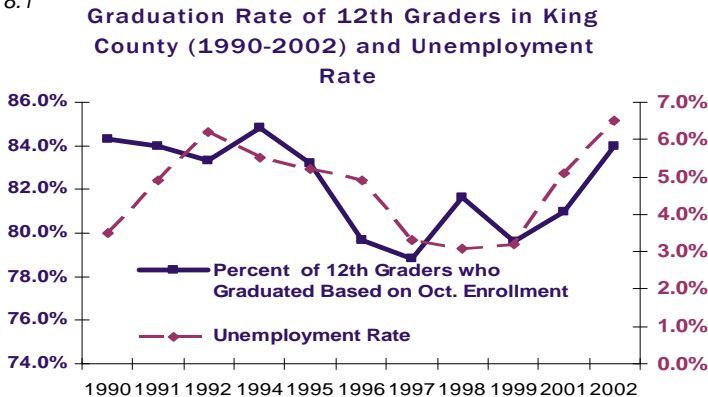
Outcome: Increase Educational Skill Levels

Indicator 8: Twelfth Grade Graduation Rate

Countywide Planning Policy Rationale

“An important component of achieving economic development is through...improved job training and educational opportunities...” (CPP FW-35) “Job training, retraining, and educational opportunities are critical to develop and maintain a highly skilled workforce. Jurisdictions shall cooperate in efforts to meet these training and educational needs on a Countywide basis.” (CPP, ED-13)

Fig. 8.1



*This older series is based on a denominator of the October enrollment of 12th graders. Over time it will be replaced with a series based on a federally-defined 12th grade graduation rate and a cohort graduation rate. Note that data for 1993 and 2000 was unavailable or too questionable to be useful.

Key Trends

- According to a new data series published by the Washington State Office of the Superintendent of Instruction (OSPI), about 80% of enrolled 12th graders in King County graduated in 2001 and 2002. (Fig. 8.2, Column 2). This number is not strictly comparable to the earlier series (Fig. 8.2, Column 1).
- Fig. 8.1 shows the long term series from 1990 - 2002, along with the unemployment rate during those years. The graduation rate tends to rise when unemployment is high and there are few jobs to attract young people away from school. When jobs are abundant, and unemployment is low, high school students are more likely to drop out of school and work.

Fig. 8.2*

	Percent of 12th Graders who Graduated Based on Oct. Enrollment	Percent of 12th Graders who Graduated Based on Initial Enrollment Minus Transfers Out
1990	84.3%	
1991	84.0%	
1992	83.3%	
1994	84.8%	
1995	83.2%	
1996	79.7%	
1997	78.8%	
1998	81.6%	
1999	79.6%	
2001	81.0%	79.0%
2002	84.0%	80.7%

- OSPI has begun to collect and publish a “cohort graduation rate”, i.e. the percent of a class, beginning in 9th grade, who graduate “with their class”, in the traditional four year period. For King County the reported cohort graduation rate was 79% in 2002, about the same as the rate for Washington state. However, OSPI’s report states that its dropout data is incomplete.
- Recent studies by the Manhattan Institute found that Washington State’s cohort graduation rate was about 66%. Based on this, Washington State ranks 39th out of 50 states in its on-time graduation rate.

*In the past OSPI has used the total number of 12th graders enrolled in October as the denominator for its graduation rate. Due to new federal definitions and reporting forms, it now also publishes the initial enrollment of 12th graders in the fall minus transfers as the denominator for the graduation rate. This results in the somewhat lower graduation rate reported in Column 2 of Fig. 8.2.

Data Sources

Indicator 1: Real Wages Per Worker

Data Source: *Employment and Payrolls in Washington State by County and Industry, Annual Averages*, Washington State Employment Security Department (ESD). U.S. Census Bureau, *Decennial Census of Population: 1990 and 2000*; American Community Survey 2002.

Indicator 2: Personal Income and Median Household Income

Data Sources: Fig. 2.1 and Fig. 2.2: *Local Area Personal Income and Washington Total Personal Income and Per Capita Personal Income* (by county), Bureau of Economic Analysis, U. S. Department of Commerce. Per capita personal income table are available on the web at www.bea.doc.gov/bea/regional/bearfacts. Also *Decennial Census of Population: Social and Economic Characteristics, Washington* for median household incomes in 1970, 1980 and 1990. Department of Housing and Urban Development (H.U.D.) Median Family Income and Income Eligibility Limits by Household Size, 1991 – 2003, available on the web at <http://huduser.org>. Household income includes all sources of income and typically includes more than one worker, hence median household income is higher than per capita personal income. There is an average of 1.4 workers per household in King County.

Indicator 3: Percentage of Population in Poverty

Data Source: *Decennial Census of Population: Social and Economic Characteristics, Washington, 1980, 1990 and 2000*. American Community Survey, 2002. www.census.gov

Indicator 4: New Businesses Created

Data Source: *Employment and Payrolls in Washington State by County and Industry, Annual Averages*, Washington State Employment Security Department (ESD). The figures presented are net figures which account for business closures.

Indicator 5: New Jobs by Employment Sector

Data Source: *Employment and Payrolls in Washington State by County and Industry, Annual Averages*, Washington State Employment Security Department (ESD), 1980 - 2002.

Indicator 6: New Jobs in Sectors that Export

Data Sources: *Employment and Payrolls in Washington State by County and Industry, Annual Averages*. Washington State Employment Security Department (ESD). U.S. Census Bureau: County Business Patterns, 2001. These use the NAICS sub-sectors.

Location quotients are ratios which identify which industry sectors contribute to the economic base through exports. The formula for Location Quotients is:

$$\frac{(\text{Total workers in a particular sector in King County})}{(\text{Total employment in King County})} \div \frac{(\text{Total workers in a particular sector in the U.S.})}{(\text{Total employment in the U.S.})}$$

The higher a King County sector’s Location Quotient is, the more it exports to the rest of the state, nation or world.

Indicator 7: Educational Background of Adult Population

Data Source: Decennial Census of Population (1970, 1980, 1990, 2000): *Social and Economic Characteristics, Washington*. American Community Survey, 2002..

Indicator 8: Twelfth Grade Graduation Rate

Data Source: Office of the Superintendent of Public Instruction, Olympia. Reports on the Manhattan Institute studies appeared in the Seattle PI, August 28, 2002 and September 17, 2003.